Restaurant Business

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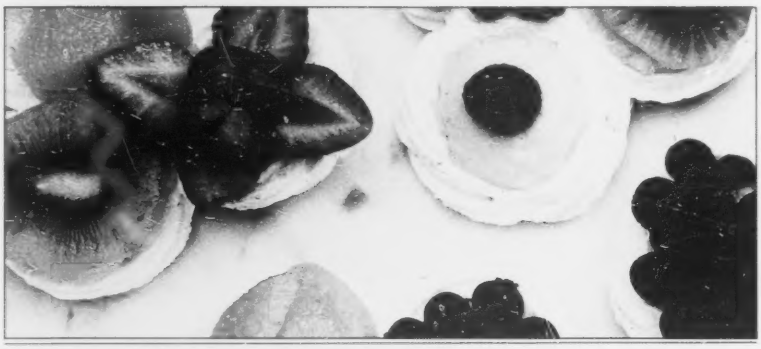

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MARKET SEGMENT REPORT
ORIENTAL

Operators explore Oriental as new frontier

by Ralph Raffio

Fast food operators view Oriental cuisine as 'the new frontier' in an already overcrowded marketplace, with appeal to health conscious trends.

Now more than ev Oriental cuisine is being closely tinized. Industry experts and restaurant operators are studying how Oriental food fits into, and affects, the overall U.S. foodservice market.

For decades an entity unto itself—dominated by family-run restaurants with little understanding or regard for trends developing around them—Oriental cuisine is now being applied to the '80s by a more diverse group of operator whose ideas are far more fragmented than their predecessors'. Fast food operators see opportunity in Oriental concepts as a means to expand in an already crowded quick-service market; independents are finding that Oriental appeals to sophisticated customers.

Consumers prefer Chinese

To be sure, U.S. adults make no secret of their preference for Oriental cuisine.

In a National Restaurant Association (NRA) study, *Consumer Preferences for Ethnic Foods in Restaurants,* nine out of 10 adults said they had eaten Chinese food in a restaurant at least once; a hefty majority of 83 percent said they had done so more than once. According to the NRA survey, Chinese cuisine ranks second behind Italian as the most popular ethnic food.

Japanese cuisine, also part of the Oriental market, is showing signs of expanding its popularity. The highly successful Japanese steak house concepts continue to be popular, while an increasing number of urban dwellers familiarize themselves with sushi. Sushi bars now proliferate in major cities like New York, Los Angeles, and Chicago, and sushi can be found in many non-Oriental restau-

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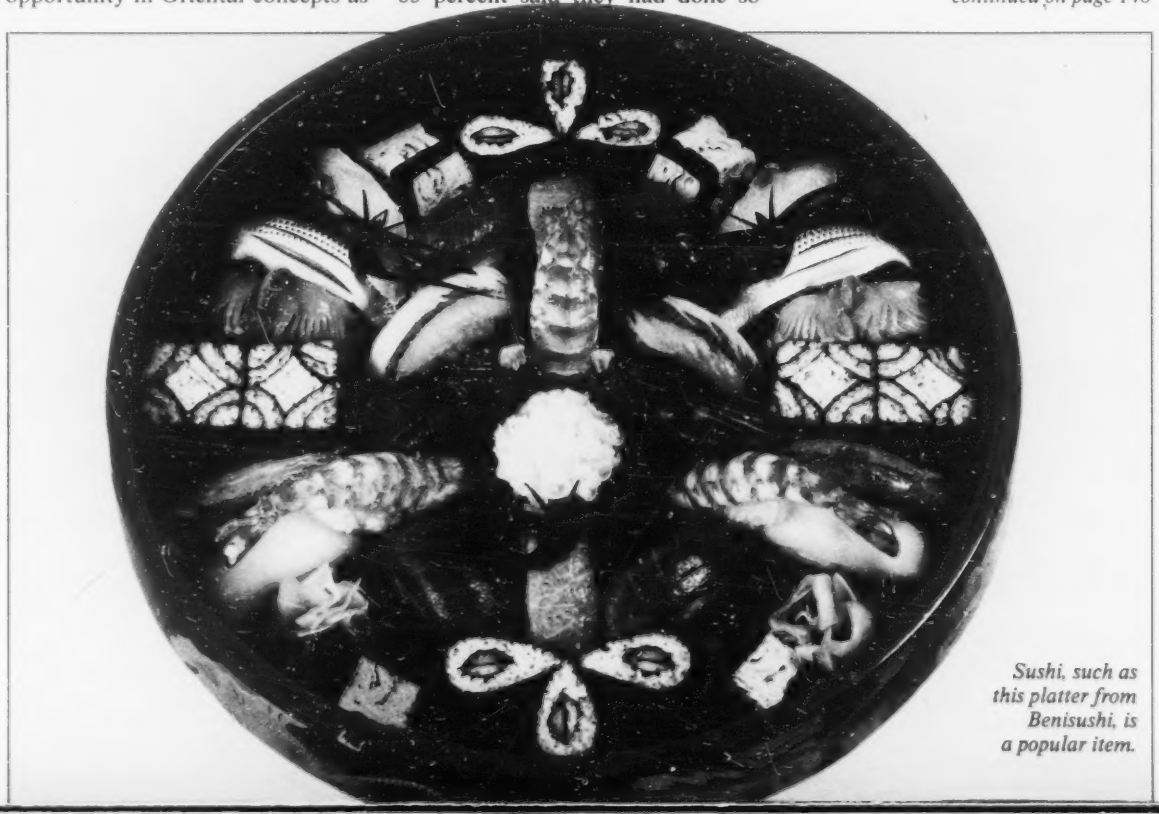
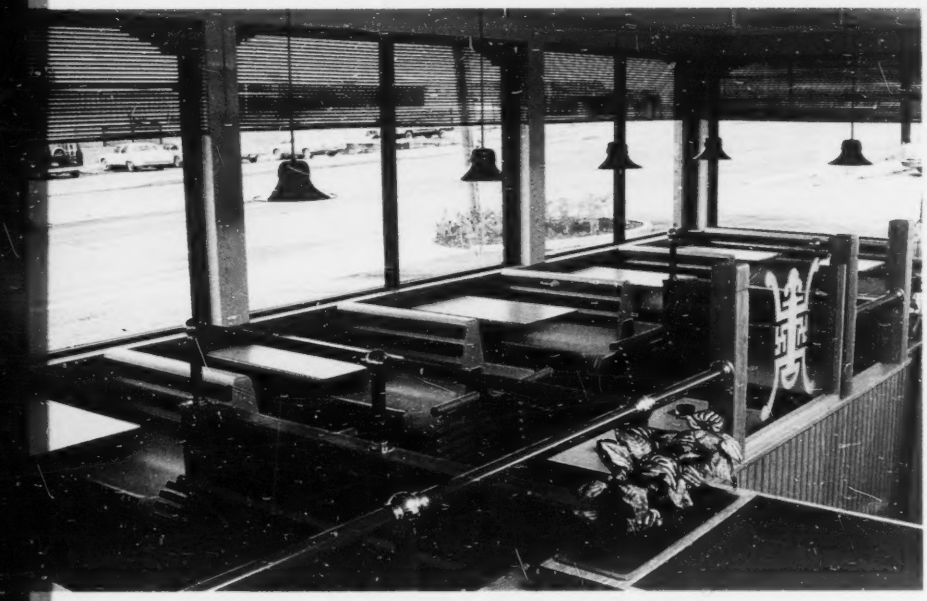


Sushi, such as this platter from Benisushi, is a popular item.



The interior (above) and menu board (below) of a Quik Wok is typical of fast food design. With 1984 sales of $4 million, the San Antonio-based chain is hoping to expand its lunch business.

rants as an appetizer. All in all, Japanese food ranks seventh out of 15 as the most popular ethnic food, according to the NRA study.

According to Restaurant Consulting Groups Inc.'s recent RECOUNT survey, there were a total of 12,487 Oriental restaurants in the U.S. in 1984, a 4.1 percent share of the total U.S. market. With its 9.9 percent increase in restaurants last year, Oriental was the only ethnic menu segment to gain in percentage of the total market. Closest competitors, the Mexican and Italian menu segments, though gaining in units, did not further penetrate the total market, maintaining a 3.9 and 1.4 percent market share, respectively.

Further emphasizing growth in the Oriental segment, GDR/CREST Enterprises reports that sales among Chinese restaurants between 1977 and 1984 increased by 109 percent. According to CREST's *Family Report,* sales for all restaurants during that period rose a lesser 80 percent. Customer traffic among Chinese restaurants increased by 55 percent.

The new frontier

It is widely held that in the overcrowded fast food industry Oriental cuisine represents "the new frontier." More specifically, Chinese food is believed to have the greatest chance for success in the market.

Chinese cuisine is already accepted among Americans, and, say industry members, it plays to trends towards healthy, fresh foods. Most menu items are freshly prepared, highlighting fresh vegetables; fried foods are kept to a minimum. In a fast food world where lower calorie hamburger buns serve as marketing tools for "healthy fast food" chains, Oriental seems to hit the mark.

Industry eyes Quik Wok

In June, Burger King raised several eyebrows by announcing it was entering the Oriental market. For an undisclosed amount, the Pillsbury subsidiary acquired San Antonio-based Quik Wok, a nine-unit chain of fast food outlets with 1984 sales of $4 million. Burger King's move, according to observers, further legitimized Oriental as a serious growth segment with potential for major chain expansion—an important factor since the success rate among those who have tried Oriental chain expansion has been less favorable.

Feeling confident that it can succeed where others have not, Burger King is now gearing up to expand Quik Wok into what may become the industry's first national Oriental chain. The Miami-based burger chain has capital to expand quickly as well as a large group of Burger King franchisees.

A Quik Wok spokesman says it is realistic to boost unit volumes from $550,000 currently to $1 million in less than two years, pointing out that the newest unit, in San Antonio, is

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Chinese food ranks second behind Italian food as the most popular ethnic food ordered in restaurants, according to an NRA study on consumer preferences.

already doing that.

With an average check of $4, Quik Wok's menu includes eight main course items, as well as soups and other traditional Chinese appetizers. Like many Chinese restaurants, Quik Wok does 60 percent of its business through take-out.

Also important to Quik Wok—as it may well become for many Oriental concepts to follow—is home delivery. The company is testing home delivery in San Antonio, but expects to move farther along with the concept by building special units to offer strictly take-out and home delivery.

Nankin Express slows down

A franchising agreement with International Multifoods led many to believe that Nankin Express would be the first national Chinese fast food chain. However, having run into problems, Nankin has been forced to pull back from the expansion plans. International Multifoods, once planning to develop the Chicago area, has closed three of its four units, and, says a spokesman, additional units aren't likely.

Xian to go public

Instead, a three-unit Chicago-based chain may be Quik Wok's companion for national expansion. Founded by cardiologist Antonio Chan, Xian filed in November with the Securities Exchange Commission (SEC) for a public stock offering and will begin franchising in January. Marketing itself as "the healthful alternative to fast food," Xian stresses nutrition right on its menu, which includes statements like, "Menu items are nutritionally balanced to meet today's high standards," and "We fry in only cholesterol-free corn oil."

Chan says he would like Xian to be a national chain in five years. He believes that past problems with creating successful chains have been the result of cultural division. "Mom and pop Chinese operators have dominated the market for 100 years," says Chan, who has been in the U.S. 18 years. "Customers perceive their restaurants as having quality food at reasonable prices. However, there is no professionalism. On the other spectrum, the Caucasian entrepeneur who likes Chinese food and starts a restaurant chain may have no real understanding or knowledge of Chinese foods. In that case, he is really not equipped to do the job." Chan stresses that a deep knowledge of Chinese food is key to building a successful chain, and cautions those who don't possess it about entering the market.

Xian, like Quik Wok, is also developing two different units—one for eat-in and take-out, and another for home delivery, which Chan also thinks will be a large market.

Though food cost is widely considered to be Chinese food's Achilles Heel, Chan disagrees. "High food costs are a myth," says the Xian founder. "Our food costs right now are lower than those of fast food burger units, and certainly much lower

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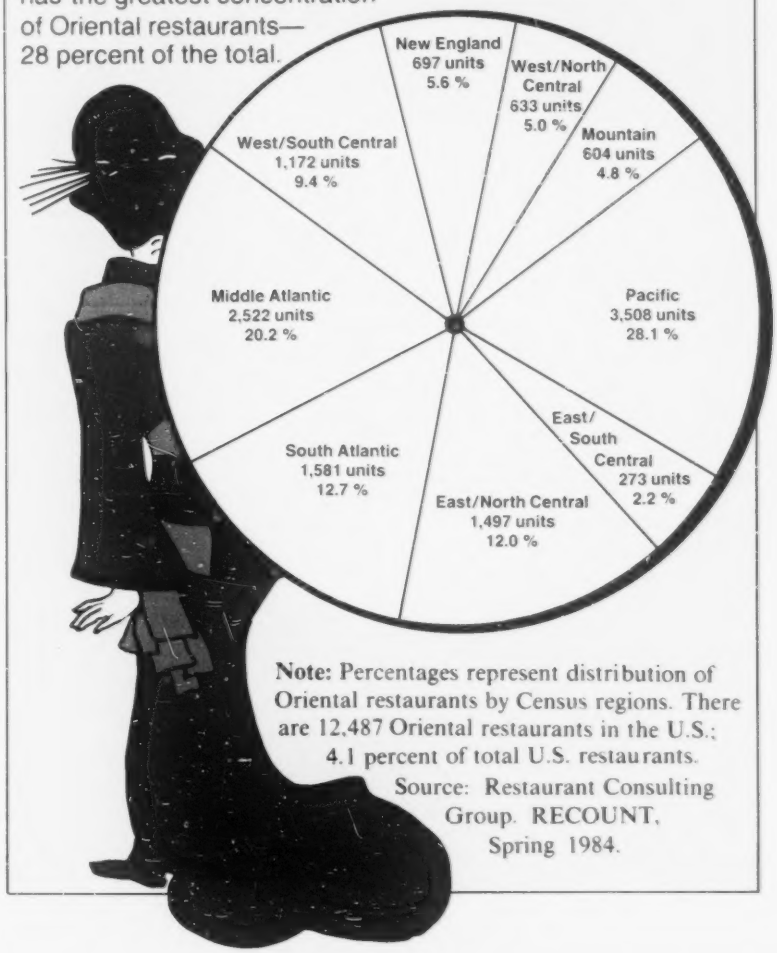
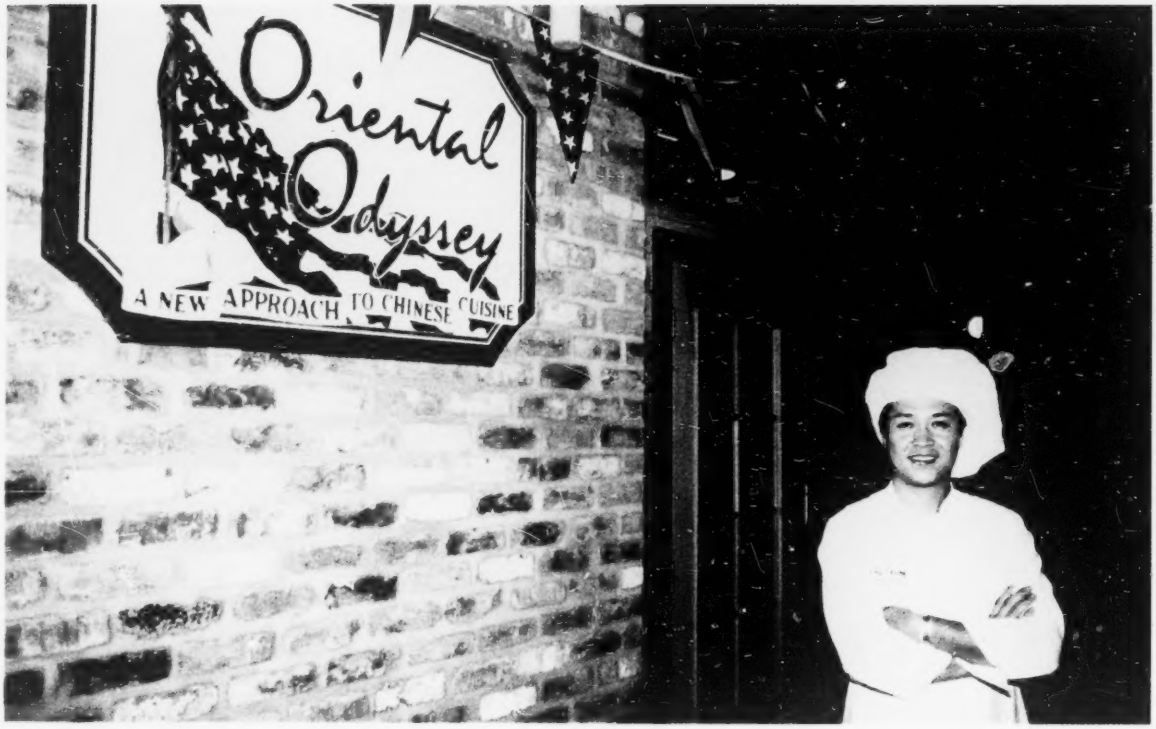
Lots of woks on West Coast

The Pacific region, with its proximity to the Orient, has the greatest concentration of Oriental restaurants—28 percent of the total.



Note: Percentages represent distribution of Oriental restaurants by Census regions. There are 12,487 Oriental restaurants in the U.S.; 4.1 percent of total U.S. restaurants.

Source: Restaurant Consulting Group. RECOUNT, Spring 1984.



Louisiana-based Oriental Odyssey combines Japanese, Chinese and American decor with egg rolls and po' boys.

than those of healthy concepts like D'Lites. We have spent a lot of time on research and development."

Oriental Odyssey

Lesser known attempts at fast food Chinese are Louisiana-based Oriental Odyssey and Missouri-based Master Wong's.

Oriental Odyssey founder Joseph Chang says his new concept in Baton Rouge is an anomaly in the Chinese segment. Serving everything from egg rolls to po' boys, Oriental Odyssey's decor package is a combination of Chinese, Japanese, and American joined together in a high fashion design. The unit serves liquor and average check ranges $4.25 to $5.95.

Chang says most of his business is done at lunch. "We're different than most Oriental restaurants in that through a diverse menu we appeal to many different people. The problem there is that we fall into the fast food category where it is difficult to attract people for dinner," says Chang. He is adding delivery to boost dinner business.

Master Wong's

Master Wong's, a six-unit chain based in Springfield, Missouri, added free home delivery service this year. "It's a competitive market, and we wanted to have an edge," says Clifford Beauchamp, president. Called the "Oriental Express," the home delivery service has bolstered sales but not profitability, says Beauchamp. "Right now, we look at home delivery as a method of gaining interest in Master Wong's, and for attracting new customers. As we expand into smaller towns we won't have to offer the service, but for urban areas we feel it is necessary." In line with most of its contemporaries, Master Wong's generated 65 percent of its sales through take-out. The regional chain has also developed a franchise package.

Upscale Oriental

On the upscale side of Oriental, New York City's Wok and Roll is an interesting example of what typical Oriental restaurants are not. "Nobody ever hangs out at a Chinese restaurant, but they do here," says owner Stan Tankursley. "We've got a lot of music and atmosphere, a bar, and the waitstaff are young and typical New Yorkers just like our customers. It's not anything like what a Chinese restaurant is supposed to be. It's a fun restaurant that happens to serve very good Chinese food."

Wok and Roll may well be the prototype for other such restaurants to come. It breaks the barrier between the traditionally accepted dining experience associated with Chinese food, and American restaurant trends. With a non-Oriental waitstaff, and chefs trained in Greenwich Village, Wok and Roll is anything but a typical Chinese restaurant. Its menu, too, is different, offering the likes of steamed catfish skillet, crispy fish in wine sauce, as well as dishes like lo mein and vegetables in garlic sauce. Average check, including liquor, is $11.

The other Oriental cuisine

Japanese cuisine is far better suited to upscale concepts, though there have been some attempts to intro-

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duce it to fast food. For the most part those attempts have failed, witnessed by Tokyo Bowl's entering Chapter XI proceedings.

Dosanko, the premier Japanese fast food chain on the East Coast, has itself had some difficulties lately. The chain closed three stores last year, bringing its total to 12, and expansion plans have been halted while its menu and decor packages are worked on.

"The concept is 10 years old," says vice president Mac Hikada. "People are requesting different things." Hikada says Dosanko will add red meat to its menu in an effort to bolster dinner business, which now accounts for only 30 percent of sales. "Our studies have shown that consumers view our food as too light for dinner," adds Hikada. Dosanko's menu is heavily skewed toward Japanese noodles and dumplings.

Hikada also says Dosanko's decor will be "modified," claiming the chain's bright orange interior is fine for lunch but much too bright for dinner business. Modifications to the outside are being considered as well, says Hikada. "We should be able to begin expansion by the beginning of the year." says Hikada. All 12 Dosanko units are located in New York City; there are 1,200 Dosanko units in Japan.

Japanese steak houses

Benihana of Tokyo, operator of perhaps the most successful Japanese steak house chain, tried its hand at fast food but was not successful. The company recently announced it would discontinue its Teriyaki USA concept in favor of a seafood concept called Big Splash. Teriyaki USA, located in Florida, has replaced the company's first attempt at Japanese fast food, Noodle Time, which also failed. "I don't think the Florida market was ready for Japanese fast food," says Benihana president Joel Schwartz. "It's not my opinion that fast food Japanese isn't a viable concept. I just think our site location wasn't right." However, the company has no plans to bring its fast food concept to another market for test, says Schwartz.

Benihana's steak house concept has remained the same for 21 years.

In the meantime, Benihana continues operating a successful Japanese steak house chain, and is expanding its line of frozen foods. The company plans to open a new Benihana restaurant in Beaverton, Oregon, in 1986, and continues looking for additional site locations.

"Other than adding to the menu, the concept has remained the same for over 21 years," says Schwartz.

Five-restaurant Gasho of Japan plans to open a restaurant in Manhattan next year, says president Shiro Aoki. Currently, Gasho has two units in Denver and three in Long Island. Aoki says Gasho has changed with the times.

"Our menu has evolved to where we now offer eight to 10 appetizers in greater variety," says Aoki. "We're also offering far more fish than ever before to meet a growing trend and demand for healthy foods." Aoki also says Gasho has bolstered its dessert offerings. "It's not typical for a Japanese restaurant to have a variety of desserts, but we're trying to gain interest by being different."

Gasho's cocktail lounge has also been reworked so as to attract more doller volume. Cocktail lounges have been redesigned in a more contemporary fashion and where possible the lounge area has been extended. Happy hours are also offered.

Boston-based Benihana franchisee, Barclay Henderson, has had his own ideas of how to quench America's appetite for Japanese food. In three of his steak houses, Henderson, president of Asian Restaurants International, added what he calls Benisushi units. Separate from the steak house—and from franchisor Benihana of Tokyo—Benisushi is, of course, a sushi bar. Henderson plans to open Benisushi units wherever possible, largely dependent on available space for expansion onto the steak house. The first Benisushi unit opened two years ago, and, says Henderson, sales projections were grossly underestimated. A $100,000 annual intake was projected. But, says Henderson, first year sales were $500,000.

"There are heavy labor costs with sushi," explains Henderson. "But being connected to the steak house helps to offset the costs." □